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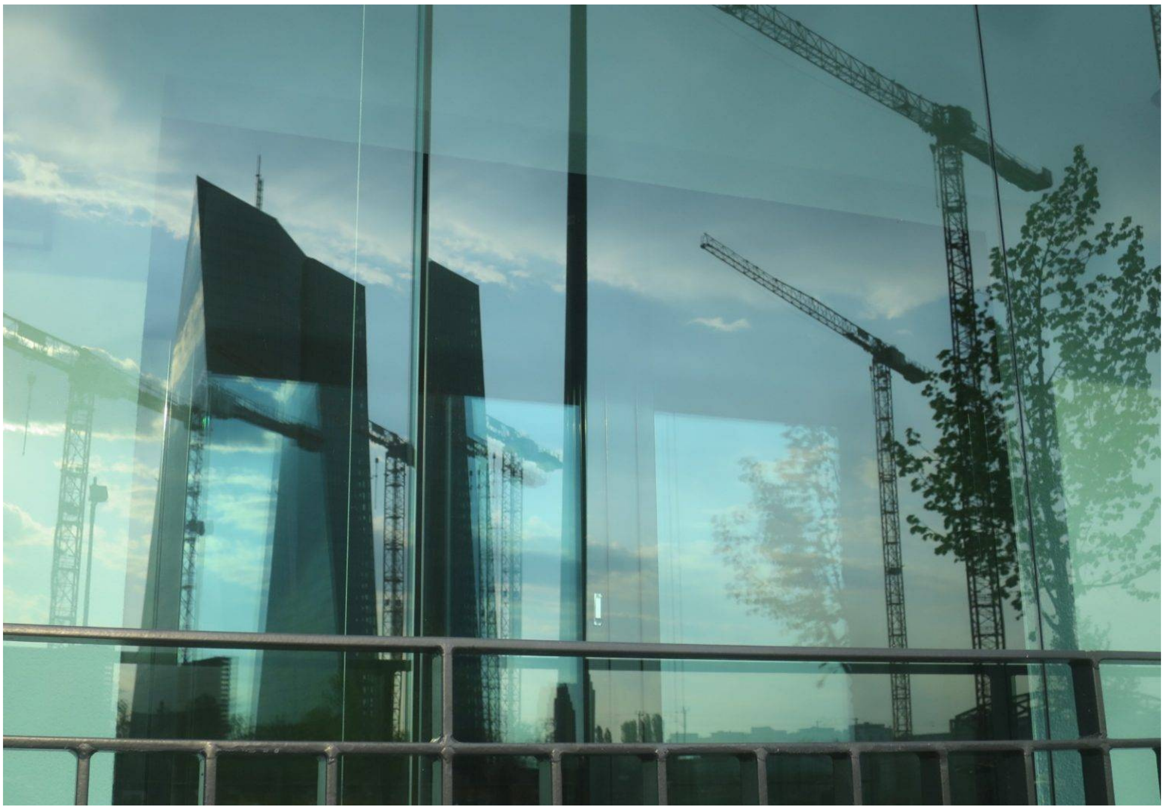

ANDREA PANNONE 2024-02-26

THE DOOR OF TEARS, THE LAUGHTER OF CAPITAL AND INFLATION.

ECONOFICTION FINANCE FINANZMARKT, INFLATION, WELTWIRTSCHAFT

In today's text, Andrea Pannone reflects on the economic consequences of the Middle East conflict and the actions of the Yemeni Houthi group.

It is a very useful text because it explains the major beneficiaries of the war tensions, the material interests on the ground and thus the contradictions between the actors in the war.

The war in the straits and the consequences for world trade

As National Geographic Magazine reminds us, Bab el-Mandeb, in Arabic the Gate of Tears, is

a small geographic bottleneck in the Red Sea that has enormous influence on the world economy: it is a key point for the control of almost all shipping between the Indian Ocean and the Mediterranean Sea through the Suez Canal[1]. Almost 15 percent of global maritime trade passes through there, as is now well known, including 8 percent of the world grain trade, 12 percent of oil traded by sea, and 8 percent of the total trade in liquefied natural gas.

For the past two months or so, some ships transiting that stretch have been targeted by drones and missiles of the Yemeni Houthi movement, which has been supported by Iran for years. Some ships, not all of them though. Only the merchant ships that sail off the coast of Yemen and have connections with Israel. The Houthis themselves present the attacks as a response to the West's failure to condemn the massacre the Netanyahu government is carrying out in Gaza. In fact, one could justifiably argue (as Emiliano Brancaccio does, for example, in his article Lo stretto necessario, il Manifesto, Jan. 23, 2024) that the Houthis' actions, certainly well known to Tehran, benefit a project antithetical to that of the West, which aims to counter, including through the imposition of trade and financial barriers, the growing challenge of Chinese and Russian competitors to U.S. economic dominance and its historic leading role in geopolitical relations. Whatever their actual motivation, the armed clashes have resulted in increased war tensions in the Middle East and the arrival of warships from several Western countries (particularly U.S. and British, but Italian ships should also play a role) for the purpose of patrolling the area, while many international shipping companies (e.g., Maersk Line, Hapag Lloyd, and Mediterranean Shipping Company) are deciding to return to the longest and most expensive route to the Mediterranean as in the past: the one that obliges the circumnavigation of Africa. It is difficult to foresee in perspective the outcome of this new war scenario. This paper aims, consistent with the approach already followed in Pannone 2023(a) and 2023(b), to focus attention not so much on the geopolitical aims of the states or armed groups involved in the game of parties, but on the material interests of the economic-financial groups that can benefit most from a controlled escalation of the Middle East conflict – of which the war with the Houthis is only the latest act – and that today have the power to shape the policies of governments and the fate of peoples.

The biggest beneficiaries of the new war tensions

Going into the matter, it seems clear that the increasing tendency of many ships to avoid the waters and conflict zone in the Red Sea and Eastern Mediterranean poses an immediate threat to trade both in the form of increased freight rates and in terms of the delays that will affect global commodity supply chains. Digital freight forwarder Flexport quantified the transit time impact of choosing to sail around Africa versus the traditional alternative of using the Suez Canal to serve trade between Europe and Asia as at least 7-10 days. These critical issues are compounded by those that have been ongoing for months in the Panama Canal (due to drought), where 5 percent of world trade transits. All this is fueling concerns of a new slowdown in the world economy and a new strengthening of the inflationary phenomenon (see below), whose resurgence after more than 30 years of moderation has been traced by many observers to the persistence of bottlenecks in the global value chain induced by the restrictions of the pandemic phase. Not for everyone, however, these developments necessarily have drawbacks. For example, longer routes for ships to circumnavigate Africa may help reduce the now chronic overcapacity in the container shipping sector, a key

component of international cargo trade[2]. Overcapacity has been a recurring theme over the past decade due to the slowdown in global economic growth, further exacerbated in 2020 by the spread of Covid, which exacerbated the mismatch between the growth in shipping potential of container fleets and actual growth in demand. It was not until 2021 that demand managed to outpace capacity growth, but this was an exception due to the rebound of the global economy as restrictions due to reduced health risks faded away[3]. With potential annual supply growth projected at between 5 percent and 6.35 percent through 2025, while demand grew by only 0.3 percent in 2023, the persistence of overcapacity in the shipping industry has come to the forefront again, and with it, the outlook for lower-than-expected profits for operators. For these reasons, the shipping industry has been undergoing a frenetic process of vertical and horizontal integration over the past decade, conducted through intensive mergers and acquisitions among shipping lines. The latter have grown from 30 liners in the early 1990s to 14 today, with the top 10 holding 84 percent of the market share. In such a framework, the interruption of Red Sea transits and the lengthening of routes for ships circumnavigating Africa fueled the "bets" of financial operators on the possibility that the problem of overcapacity in the maritime sector could be significantly contained, as well as wars on freight rates, which are extremely risky for the sustainability of the entire industry, could be averted[4]. As a result of these new expectations, the value of the shares of the Danish A.P. Moller-Maersk A/S group and those of Germany's Hapag-Lloyd AG (among the leading international shipping companies) as well as of the Israeli carrier Zim Integrated Shipping Services, soared sharply as soon as the crisis in the strait deepened. Nor, of course, is it a coincidence that BlackRock, famously one of the world's leading asset management firms along with Vanguard and State Street – as well as one of the largest U.S. companies by revenue – took over 100 percent of Global Infrastructure Partners (GIP) – an infrastructure investment fund – in mid-January this year in a huge $12.5 billion transaction. In fact, an overlooked aspect of the acquisition is that through GPI, BlackRock has become a minority partner of the Mediterranean Shipping Company, entering fully into the shipping industry in view of the expected strong growth in the sector's stock.

Then there are other companies that are in a position to benefit significantly from the increased tensions in the Red Sea. As with every other conflict that occurs in that region, major oil companies and OPEC benefit differentially at the expense of major non-oil(i) companies (and countries). As shown by Bichler and Nitzan, the oil profit differential is closely related to the relative price of oil, measured as the ratio of the dollar price of crude oil to the U.S. Consumer Price Index, or CPI. The relative price of oil, in turn, is highly sensitive to perceptions of Middle East "risk," real or imagined. These perceptions of risk tend to increase in preparation for and during armed conflicts; and as risks increase, they drive up the relative price of oil and, therefore, the differential profit of oil companies. It is not difficult, therefore, to discern a close convergence of the interests of these companies with those involved in the production of weapon systems (mainly Lockheed Martin, Northrop Grumman Corporation, Raytheon (now RTX), Halliburton, and Boeing), which already in the aftermath of the outbreak of the conflict in Gaza on October 7 saw their stocks rise considerably in value. Indeed, between October 7 and November 19 alone, the Israeli Ministry of Defense (IMOD) issued orders totaling 4 billion shekels ($1.08 billion) to defense industry companies. Speculators are thus betting on the increased demand for missiles, artillery and other military technologies

that the winds of war are expected to fuel, turning expectations of the near future into immediate financial gains[5]. We do not yet know how long this bullish trend may last, but there is no doubt that the Russia-Ukraine wars of 2022, Hamas-Israel wars of 2023, and now the war tensions in the Red Sea have forcefully revived the prospects of both aggregations of interests. The existence of many other areas of the planet where, in the context of an increasingly fragile world geopolitical order, potentially degenerative "high intensity" (i.e., including heavy weaponry) conflicts are still being fought-such as the conflicts in Syria, South Sudan, Central African Republic, northern Mozambique, North Kivu and Ituri of the Democratic Republic of Congo, Tigray in Ethiopia as well as again in Iraq, Nigeria as well as Turkey's war against the Kurds, and others (see at this link) – empowers those aggregations of interests, at the opposite end of the earth's peoples, to look to the future with some optimism.

Divergent capitalist interests and the benefits of Proxy war.

Then there is an aggregation of interests that may instead be affected in a contradictory way by the increased instabilities associated with the escalation of the Red Sea conflict and, in general, by an enduring climate of war. It consists of the complex of publicly traded digital companies that earn differential profits from intellectual property in "intangible assets." Where previously a considerable portion of their profits seemed to flow fundamentally from technological progress, now the gains are increasingly dependent on the companies' own ability to legally protect the technology and other forms of exclusion, which make their own assets increasingly attractive in the financial markets, as many other investors are also expected to bet on their specificity and seek to buy them, thereby helping them grow in value. However, the general conditions required for the diffusion, imposition and inflationary appreciation of intellectual property rights are opposite to those conducive to arms- and oil-induced price growth. That is, they do not require instability, sheer force and violence, but rather apparent domestic and international stability, openness to trade, confidence in innovation and a certain optimism for the future. On the other hand, the unpopularity in today's democracies of asymmetric warfare and the global economic slowdown have led to inevitable defense budget cuts throughout the Western world in the recent past. Although the war between Russia and Ukraine, as well as the new conflict between the Israelis and Palestinians, has reopened opportunities for loosening of budgetary constraints to the benefit of military spending, both in the United States and In Europe, the very logic of those constraints would necessarily reduce the space for state intervention in favor of digital transition-which along with "green" transition is among the main mantras of current capitalist ideology-of which public demand is an indispensable component.

In other words, the scenario that would favor one aggregation of interests could weaken the other, and vice versa[6]. And since both aggregations of interests (the oil and arms one on the one hand and the digital one on the other) have considerable influence on U.S. domestic politics and international relations, the conflict or composition of the balance between them becomes crucial to the fate of the war in the Middle East and elsewhere[7]. This helps to explain what appears to be wavering, uncertain or inert in Western diplomatic strategies, even in the presence of an overt massacre, to world public opinion such as the one the Tel Aviv government is carrying out in Gaza. In any case, there is generally a possibility for the evolution of war tensions that may represent a space for the two power groups to

compromise and interconnect their destinies. It is represented by the Proxy war i.e., a low-to-medium intensity but long-lasting war, instigated by a superpower but not involving its direct participation at all, and being fought through interposed nation and people[8]. The hallmark of this type of conflict is the increased use by states of private military companies operating in the most unstable scenarios, providing procurement of the most innovative weapon systems, police training, intelligence support, protection of strategic assets and vital installations, as well as protection of the safety of civilian leaders. The largest digital companies (so-called GAFAMs: Google, Apple, Facebook, Amazon, Microsoft), which are at the forefront of the development of advanced technologies, such as AI and cloud technology; which are dedicated to the collection and analysis of large amounts of data, including personal data; and which are capable of producing solutions and services to protect (or attack) critical infrastructure from (with) cyber threats, thus constitute the primary recipients of the current demand from the military industrial complex and governments (see Coveri et al. 2023)[9]. For example, in a dynamic (i.e., constantly updated) May 2023 report, the independent research center WHOprofits examines the various ways in which Microsoft, Cysco System, IBM, and Dell Technologies support the Israeli occupation of the Palestinian territories through the provision of infrastructure, technology, knowledge, and products to both civilian and military institutions. In some cases the companies are involved in the implementation of projects that directly affect the Israeli military, while in others the companies provide software or equipment for the operation of a broader system, which is intended to strengthen the capacity of an already high-tech, data-driven Israeli occupation economy by increasing its ability to expropriate, repress and surveil Palestinians on both sides of the Green Line.

In conclusion, this mode of declining war conflicts, provided it does not spiral out of control and degenerate into an unforeseen escalation, may facilitate the achievement of a balance between the divergent interests of the two power aggregations, both in terms of industry and the desirability of their financial securities.

Inflation as a space for convergence between different industrial interests

Then there is another element that could constitute a space of convergence between different capitalist interests and which, as mentioned earlier, could draw new life from the disruptions of the Red Sea shipping routes: a revival of inflation. The recent resurgence of this phenomenon in 2022-2023 after a long period of substantial inertia, in fact, has been associated by many observers with price increases in the markets for commodities-particularly energy commodities (oil, gas, etc.)-and some intermediate goods, as well as basic foodstuffs, e.g., wheat. These increases (as mentioned earlier) have been mainly attributed to the rebound of the economy toward the end of the pandemic phase and the presence of bottlenecks along global value chains, and exacerbated by the war in Ukraine (see for example Saracen). There is then a real fear that the conflict with the Houthis, by re-proposing similar difficulties in the way goods are sourced, could re-trigger new price increases, which, as has been the case in the recent past, would likely hit the goods proportionally more present in the baskets of the less affluent classes (energy, food). Persistence of increases over time i.e., non-transitory inflation, however, would require the existence of structural supply-side constraints. Already in the first inflationary flare-up, those constraints have been identified by

some economists (see, for example, Francesco Saraceno 2023, but also Riccardo Bellofiore and Andrea Coveri 2023, 2024), in the sectoral imbalances and bottlenecks inherent in the transitional phases of technology and consumer preferences, which affect some markets more than others. Indeed, such phases-such as the transition to "green" and digital technologies currently underway in many economies-require a reconfiguration of the production fabric that can never happen instantaneously, as it is constrained by the timing of capacity building. This approach stands in stark contrast to the dominant view that regards inflation as a macroeconomic phenomenon brought about by an excess of aggregate demand (relative to aggregate supply), made possible by excessive liquidity (too much money for too few commodities) and ultimately neutral in its impact (having no lasting effect on the real economy). Neither interpretation, in the writer's opinion, captures the essential element of the current inflationary phenomenon, which, net of the temporary effects of restrictions from Covid, is basically triggered by speculative behavior in financial markets[10]. The rise in the prices of energy, grain and other so-called commodities is in fact not attributable to the supply and demand game in spot markets but depends fundamentally on the conclusion of long-term contracts — futures — which are financial contracts by which the buyer and seller commit themselves after a predetermined time to exchange a given quantity of a given commodity at a predetermined price[11]. Of course, spot prices[12] and prices of long-term contracts are not independent of each other. However, prices are determined by the dynamics created in the "bet" more than in the actual market. And real prices follow like a shadow what has been bet or imagined. Thus, for example, the prices of fuels, energy and grain do not depend on real shortages but also, and more importantly, on what happens in the world's major commodity exchanges and, therefore, are subject to high volatility and speculative pressures[13]. Should a bullish trend take hold in this context, as was the case for gas and other commodity prices even well before the outbreak of war in Ukraine, firms operating in real markets would face a generalized increase in their costs. Given the predominantly oligopolistic structure of markets in most modern economies, larger firms would be able to pass cost increases on to prices, protecting but also increasing profit margins themselves, as has probably already happened since the second phase of the pandemic (see Nikiforos and Gothe 2023)[14]. Clearly, prices do not adjust instantaneously and simultaneously in all markets. But if there are input-output linkages between different production sectors and the initial cost push is large enough (as indeed it has been recently), price increases would propagate and cumulate throughout the entire economic system. Even firms with less market power would, in fact, at least attempt to protect their profit margins by raising prices in constant proportion to the increase in costs, along the lines of the usual markup equation (see the well-known article by Weber and Wasner 2023). The upturn in inflation that economies have returned to after a long period of price stagnation is, therefore, evidently driven by costs and profits, not wages. The latter, if anything, have suffered a further decline in real terms that has further altered the distribution of income to the detriment of workers[15]. Inflation, from this perspective, represents a ground of convergence, albeit rather diverse, of different industrial interests.

Not all non-mainstream economists, however, completely agree on the existence of "profit inflation." For example, Lavoie (2023) argues that the share of profits in national income could theoretically have risen (as it has in the past three years), at least in part because of the

cyclical recovery of the economy after the pandemic phase, and not necessarily because of rising margins[16]. In any case, if the Red Sea crisis revives (as is to be expected) the bullish trend on commodity exchanges-at a time when the world economy is again showing clear signs of slowing down-it is very likely that the average increase in margins will end up being the real driver of any inflationary recovery.

War, inflation and the centralization of finance capital

Finally, there is one last point I want to make, and that is the relationship between rising war tensions, inflation and the financialization of the economy. It is precisely the strong uncertainty that is once again hovering over the economic and geopolitical environment that will continue to push the largest firms to pour the profits already accumulated (and again accumulable) through inflation toward the purchase of non-reproducible assets (securities, stocks, real estate, etc.) in the financial markets, helping to make them increase in value and profiting from price differentials through a plurality of contracts with defined time characteristics. The phenomenon took on enormous significance after the 2007-2009 crisis, when the enormous availability of credit fostered by the central banks' "quantitative easing" policies to revive the economy spilled over into the stock markets, helping to create real financial inflation. The latter was able to benefit from the fact that a considerable proportion of these transactions resulted in buybacks (i.e., repurchases of one's own shares aimed at supporting stock prices, making new purchases attractive and obtaining capital gains) [17]. Over the years, a similar trend has ended up affecting companies with a strong dynamic and innovative vocation, (such as, for example, Apple, Google, Facebook and Microsoft itself), some of which have turned into full-fledged financial holding companies. This is because technological innovation processes always require the allocation of a substantial amount of resources to activities (such as R&D spending) with a highly uncertain outcome, an uncertainty that is amplified by strong international competition in the most profitable markets. All this has ended up generating, especially for corporate firms, a real drain of resources from productive investments to financial ones, slowing the recovery of economic activity and contributing to inflating speculative bubbles[18]. In any case, the profits derived to them from stock market activities went to offset (or more than offset) the fall in profits from industrial activities, which were increasingly struggling in a progressively stagnant economy. With the resumption of wartime tensions and expectations that inflation will pick up, consistently, share buybacks are expected to increase this year after declining in 2023, thanks to the stratospheric profits recorded toward the end of that year by the largest companies (particularly those in technology and related to business services, which are replacing the consumer goods-oriented companies that once dominated the global economy). The total amount of buybacks could rise by 2024, according to Deutsche Bank's estimate to $1 trillion.

However, the financial option is not, especially today, viable by all companies. Indeed, if in the aftermath of the 2008 crisis even smaller firms could try to pursue it – being able to rely on ample cheap credit – today, with interest rates raised by the monetary authorities themselves for the stated purpose of combating the resurgence of inflation,[19] only those who have accumulated a significant amount of profits (i.e., the largest oligopolistic firms) can limit their need for external exposure to finance their stock market activities. For the others – for

example, small and medium-sized enterprises – leveraged debt to bet on stocks and shares would become a very risky and, in fact, impractical option[20]. Then there are other companies and sectors that, although more financially sound than the previous ones, might face some difficulties in massively pursuing the financial option: in addition to companies engaged in the extraction of oil, natural gas, or conventional power generation, there are, for example, telephone and telecommunications companies; companies engaged in the production of consumer durables, machinery, or industrial components; and established automotive brands, which might be considered strong in the sector but might have limited appeal in the stock market due to the need to address challenges such as the transition to electric vehicles, competition with new players in the mobility sector, and uncertainties related to global demand for vehicles.

It is to be expected, then, that this differential opportunity between large oligopolistic firms operating in transnational markets and all others will further accentuate the drive for the phenomenon of centralization of financial wealth in a few hands that has already been taking place in the world economy for some time (see Brancaccio et al. 2022), further widening the economic and power gap between different groups of firms. Through this wealth, often parked in off-shore tax havens awaiting profitable uses, large corporations can control the equity stakes of a myriad of firms-sometimes competing with each other in the same real markets-through financial artifices similar to Chinese boxes. We observe, however, that the centralization process described here is actually running parallel to the production-based surplus-value extraction mechanism described by Marx in Capital; a mechanism with respect to which the large transnational financial oligarchies have limited interest, to the point of making it the object of a veritable "strategic sabotage"[21] that diverts resources away from productive investment and engulfs multiple economic activities for purely speculative purposes[22]. The same process, in any case, must find some balance with the interests of productive capital and prevent the latter from weakening too much. No business aimed at the accumulation of pecuniary capital, in fact, could live without the continued accumulation, at least to some extent, of physical capital to produce goods. Thus "sabotage" cannot extend beyond certain limits since without the sphere of production capitalism itself could not exist. When this balance cannot be maintained, it is possible for the resulting instability to take the form of a clash between power groups, often also palmed in the guise of circumscribed armed conflicts between nations and governments, whose political economic and military strategies are increasingly heterodirected and shaped by the aims of those groups, see Pannone 2023(a). In this respect, as we have seen in this paper, war tensions and inflation constitute an articulated space of convergence/contrast for those groups.

In conclusion, as with any war, if you want to understand causes and consequences of what is happening in the Red Sea "follow the money" and not the policies of states that are subordinate to their logic. This awareness will obviously not help to stop wars, but it might help to remind people (and intellectuals) why party-playing should never be supported and why any kind of material support for armed conflicts should always be opposed.

Notes

[1] The name seems to refer to the dangers of navigating this narrow waterway, full of cross currents, unpredictable winds, rocks and shoals. Many ships in past centuries and millennia

have been wrecked in the strait, while modern ships also face the dangers of naval mines from past conflicts.

[2] Containers are widely used for the efficient movement of goods on a global scale. According to data from UNCTAD (United Nations Conference on Trade and Development), about 80-90% of world trade is transported by sea, and much of this volume is containers.

[3] In 2021, transoceanic carriers grossed estimated profits of around $150 billion, an increase of 900 percent after a decade of difficulties.

[4] Indeed, it can be noted that the end of the collaboration between the carriers MSC (Mediterranean Shipping Company) and Maersk, announced for 2025 and aimed at preserving a decision-making autonomy of the two companies, had raised quite a few concerns among analysts about a possible increase in competition in the industry and further price reductions aimed at taking customers away from the competitor. Given the significance of the two companies in the current market structure, this would have quickly led to a dent in operators' confidence that they could rely on a stable and efficient commodity supply chain.

[5]Again interesting in this regard to highlight who are the most significant shareholders in the arms companies. In Lockheed Martin, four large funds, Vanguard, Black Rock, State Street, and Geode Capital Management own about 35 percent of the capital, while they reach almost 40 in Northrop Grumman Corporation and 30 percent in Raytheon. In Boeing they "stop" at 20 percent and in Halliburton they exceed 32 percent.

[6] The same consideration applies to entities that produce for domestic markets under non-monopolistic conditions and in a manner completely unrelated to military production. It is then clear that not the entire capitalist economy can benefit in a relevant and uniform way from increased arms spending and the implementation of military expansion projects with hegemonic aims.

[7] This influence, as is well known, is also exerted through the so-called "Revolving Doors" mechanism, a term used here to refer to the movement of public officials and politicians from the public to the private sector. I discuss this mechanism in the U.S. Administration in detail in footnote 7 in Pannone 2023(b).

[8] In 1964, the political scientist Karl Deutsch, defined proxy war (i.e., war by proxy) as "an international conflict between two foreign powers, fought on the soil of a third country, masquerading as a conflict over an internal issue of this country, and using part of this same country's personnel, resources, and territory as a means to achieve predominantly foreign objectives and strategies." Although the concept has been known since the days of the Cold War, it has recently resurfaced in new forms, peculiar to an entirely different geopolitical and economic context, both in the case of the conflict in Syria and the more recent conflict in Ukraine.

[9] Moreover, some of the digital players are increasingly functional in the work of surveillance and control of the population by governments through sophisticated repression and censorship of any instance critical of the dominant narrative of war conflicts. A recent report by the media analysis firm Graphika, together with Stanford University, identified a strategy on Facebook (but also of Twitter and Instagram) geared toward influencing social network users

in the Middle East and Asia in favor of commentary and information on U.S. foreign policy and against Russia. This circumstance was revealed by the "Wahington Post" and confirmed by the spokeswoman for Meta (Facebook's parent company). All this was made possible by the introduction of a new proprietary algorithm, the News Feed – which takes advantage of the developments achieved by public research in the field of Machine Learning – the main purpose of which is to flag, among the thousands of possible update posts, those that could potentially be of most interest and thus provide the right content to the right people at the right time. On this issue Facebook's own founder recently admitted some responsibility.

[10] We note that the dominant view, which attributes the growth of inflation to the existence of excess demand at the aggregate level, is hardly credible given the now clear evidence since the late 1990s of an inexorably declining trend in capacity utilization in virtually every major economy on the planet (see Pannone 2023a). Two recent papers by Gahn (2022) and Nikiforos (2021) provide significant empirical evidence of this trend in relation to the United States. On the other hand, the view that attributes the structural nature of inflation to the existence of sectoral imbalances, which is theoretically useful in periods of qualitative change such as those of the post-Covid economy and wars, implies that, at least in some industries, excess demand must exist because of delays in building new production capacity that would give rise to supply shortages. In any case, in the very industries where we should expect this situation, for example, the agribusiness sector, the electric car industry, the semiconductor industry, and other new uses of green technologies (the green fashion industry) and digital technologies, the phenomenon of overcapacity and overproduction, with the exception of transitory periods, is more than evident. This prompts us to express strong doubts about the current relevance of this approach.

[11] Futures are among the so-called "derivative" financial instruments and were created to offer protection from uncertainty and market risks. In 2000, however, the then U.S. president, Bill Clinton, and the then chairman of the Federal reseve, Alan Greenspan, liberalized the derivatives market with the Commodity Futures Modernization Act. With that liberalization any trader, while not being remotely interested in owning a given commodity as a commodity, could buy and sell futures of the same to try to make money on the fluctuations in the prices of the futures themselves. By doing so, futures have thus become "naked" derivatives (nacked futures), that is, pure speculation. With the liberalization of naked derivatives, trading has become betting on anything that can be bet on. In addition to these more traditional types of contracts are more recently invented types of financial derivatives: credit default swaps, EFT indices, carbon credits.

[12] The spot market is a market in which commodities can be purchased with immediate payment and delivery. The term spot also refers to the price paid at the same time as the purchase or sale of a commodity; of course, this price changes all the time, especially if trading volumes are high. The spot market differs from the futures market in that in the latter case, the asset is only "optioned," that is, the right to buy or sell an asset at a certain price is granted within a certain time frame.

[13] For example, agricultural pricing takes place in particular at those in Chicago, Paris, London and Mumbai, which are not "public" institutions but private entities whose main shareholders are the largest global financial funds. In the case of the Chicago Mercantile

Exchange, the largest packages are in the hands of Vanguard, BlackRock, JP. Morgan, State Street Corporation and Capital International Investors. The same is true for the main market for wholesale gas exchanges, called the Title Transfer Facility (TTF), a virtual platform (and index) of the Amsterdam exchange run by the European Energy Exchange (EEX)-a subsidiary of the German multinational Deutsche Börse-and the Intercontinental Exchange (ICE), a U.S. company that also controls the New York Stock Exchange. This explains, for example, why, during the coronavirus crisis, food prices rose when food was all but in short supply. Or the fact that gas prices had begun to rise well before the Russian invasion of Ukraine.

[14] There is already some preliminary empirical evidence that an average increase in profit margins may have occurred over the past three years. See, for example, Konczal and Lusiani 2022, Glover et al. 2023, but also some case studies in Weber and Wasner 2023. In June 2023 Nikiforos and Gothe announced the forthcoming release of their paper in which they estimate the average mark-up of firms through the Compustat database. Preliminary results of their work show that the average profit margin continued to increase in 2022, although to a lesser extent than in 2021. Part of the increase would have been driven by the increased market share of companies with higher margins. In any case, the authors themselves acknowledge the need for further empirical work to consolidate these conclusions.

[15] Certainly, the increase in nominal wages recorded for the year 2021 (5 percent) is higher than in previous years due to state transfers to workers in the pandemic phase; but still the increase still lower than the annual inflation rate (6.8 percent), which means that real wages have decreased. However, the effect of the contraction of real wages on aggregate demand and output/employment should not be underestimated, which could cool the intensity of the inflationary push by depressing the economy.

[16] Lavoie 2023 argues that, because of the existence of (fixed) overhead costs, as the economy recovers-and capacity utilization increases-the total unit cost tends to decline. If firms set the price as a margin on the variable unit cost, even if the margin remains constant the mark-up on the total unit cost will increase. As a result, profit share over wages will also tend to increase.

[17] For example, from 2009 to 2017, according to Artemis Asset Management's calculations, U.S. companies alone repurchased shares of their own stock on the stock market (buybacks) totaling $3.8 trillion. In both 2015 and 2016, record years, they spent more to buy back their own stock and pay dividends than they totaled as profits.

[18] Statistical evidence that nonfinancial corporations allocate a smaller share of profits to physical investments, while increasing returns to shareholders through share purchases and repurchases, is not limited to the United States. A substantial body of OECD data shows that the same trends are now evident in many developed economies. See Gruber and Kamin 2017.

[19] As is well known, this behavior of central banks finds theoretical justification in the neoclassical/monetarist conceptual framework. According to it, raising interest rates would slow down productive investment by cooling output and labor market pressures and defusing the inflationary process. In contrast, the interpretation of inflation provided in these pages is opposite to the neoclassical one, and holds that raising rates as practiced so far by the monetary authorities only serves to further weaken aggregate demand, output and

employment, accentuating the trend toward financialization of the economy and radicalization in the distribution of incomes.

[20] When a firm leverages debt with banks to invest in the stock market, it engages in using a combination of equity and loans to amplify the potential return on investment. This practice is known as "leveraged trading" or "margin trading." Companies can obtain financing from banks through loans or the issuance of bonds. The use of leverage allows them to increase the size of positions in the stock market, hoping that the returns generated will exceed the cost of debt. However, it is important to note that leverage also increases risk, as losses can be amplified in the same way as profits. While this strategy can lead to significant gains, it also carries considerable risk. Market fluctuations can have a major impact on a firm's debt, putting its financial stability at risk. In addition, if markets do not behave as expected, the firm may find it difficult to repay the debt it has incurred. It is clear that rising interest rates can significantly affect leveraged debt. When interest rates rise, the costs associated with loan repayment increase. This means that firms that have leveraged debt may face higher interest payments that could exceed the benefit of the risk.

[21] We draw the phrase "strategic sabotage" from Bichler and Nitzan (2023).

[22] For example, U.S. farmland is about 900 million acres; of this, about 30 million are in the hands of a small circle of large financiers who bought it certainly not for agricultural interests.

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Andrea Pannone, an economist expert in the analysis of technological innovation processes and its reflections at the microeconomic and macroeconomic levels. He is currently a senior researcher at the Ugo Bordoni Foundation, an institution where he has worked since 1993. He graduated with honors in Statistical and Economic Sciences from the University of Rome La Sapienza at which he also received his Ph.D. in Economic Sciences. He has been a lecturer in political economy and new media economics in several master's programs organized in public and private universities. He is the author of national and international publications. He published for DeriveApprodi "What is war? The logic of capitalist conflicts between the 20th and 21st centuries."

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